Senate Bill No. 204

Passed the Senate August 4, 1997

Secretary of the Senate

Passed the Assembly July 17, 1997

Chief Clerk of the Assembly

This bill was received by the Governor this ___ day of ________, 1997, at ___ o'clock __M.

Private Secretary of the Governor

CHAPTER ____

An act to amend Sections 1241.1 and 1725.5 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 204, Lewis. Insurance.

(1) Under existing law, an insurer may invest in or otherwise acquire or loan upon securities and investments in a foreign country that are substantially of the same kinds, classes, and investment grades as those eligible for investment under the Insurance Code, subject to certain limitations. A domestic insurer with admitted assets in excess of $500,000,000 may acquire any foreign investment if the insurer abides by specified limits. These limitations restrict the percentage of the insurer's admitted assets in investments that receive specified ratings from the National Association of Insurance Commissioners Securities Valuation Office.

This bill would provide that these limitations apply to foreign investments.

(2) Existing law requires every insurance production licensee, such as an insurance agent or broker, to prominently affix, type, or cause to be printed its license number to every price quotation and print advertisement.

This bill would exempt certain life insurance policy illustrations and cost indexes, which are required by law, from this requirement.

The people of the State of California do enact as follows:

SECTION 1. Section 1241.1 of the Insurance Code is amended to read:

1241.1. In addition to the permission granted by Sections 1240 and 1241:

(a) A domestic insurer with admitted assets in excess of five hundred million dollars ($500,000,000) may acquire, directly or indirectly, any foreign investment, if, after giving effect to that acquisition and subject to the limitations of subdivisions (b) and (c), the foreign investments then held by the domestic insurer would not exceed in the aggregate 12 percent of the total admitted assets of the insurer; provided that the insurer's investments do not exceed the following limitations:

(1) No more than 7.5 percent of the insurer's admitted assets consist of foreign investments rated two through six by the National Association of Insurance Commissioners Securities Valuation Office.

(2) No more than 3 percent of the insurer's admitted assets consist of foreign investments rated three through six by the National Association of Insurance Commissioners Securities Valuation Office.

(3) No more than 1.5 percent of the insurer's admitted assets consist of foreign investments rated four through six by the National Association of Insurance Commissioners Securities Valuation Office.

(b) A domestic insurer with admitted assets in excess of five hundred million dollars ($500,000,000) may acquire, directly or indirectly, any foreign investment, if, after giving effect to that acquisition, the investments in entities organized under the laws of a single country, or issued and guaranteed by the sovereign government of a country, then held by the insurer, would not exceed the following limitations:

(1) No more than 6 percent of its admitted assets if the jurisdiction is rated one by the National Association of Insurance Commissioners Securities Valuation Office.

(2) No more than 3 percent of its admitted assets if the jurisdiction is rated two by the National Association of Insurance Commissioners Securities Valuation Office.

(3) No more than 1 percent of its admitted assets if the jurisdiction is rated three by the National Association of Insurance Commissioners Securities Valuation Office.

(4) No more than .75 percent of its admitted assets if the jurisdiction is rated four by the National Association of Insurance Commissioners Securities Valuation Office.

(5) No more than .5 percent of its admitted assets if the jurisdiction is rated five or six by the National Association of Insurance Commissioners Securities Valuation Office.

(c) A domestic insurer with admitted assets in excess of five hundred million dollars ($500,000,000) may acquire, directly or indirectly, any foreign investment, if, after giving effect to that acquisition, the investments then held by the insurer from a single issuer, other than a sovereign government, would not exceed the following limitations:

(1) No more than 2 percent of its admitted assets if the issuer is rated one by the National Association of Insurance Commissioners Securities Valuation Office.

(2) No more than 1 percent of its admitted assets if the issuer is rated two by the National Association of Insurance Commissioners Securities Valuation Office.

(3) No more than .75 percent of its admitted assets if the issuer is rated three by the National Association of Insurance Commissioners Securities Valuation Office.

(4) No more than .5 percent of its admitted assets if the issuer is rated four through six by the National Association of Insurance Commissioners Securities Valuation Office.

(d) A domestic insurer with admitted assets of between one hundred million dollars ($100,000,000) and five hundred million dollars ($500,000,000) may also make the investments in subdivisions (a), (b), and (c), provided that each percentage limitation of admitted assets in those subdivisions shall be multiplied by the following:

(1) A factor of .833 if admitted assets are less than five hundred million dollars ($500,000,000) but at least four hundred million dollars ($400,000,000).

(2) A factor of .667 if admitted assets are less than four hundred million dollars ($400,000,000) but at least three hundred million dollars ($300,000,000).

(3) A factor of .5 if admitted assets are less than three hundred million dollars ($300,000,000) but at least two hundred million dollars ($200,000,000).

(4) A factor of .333 if admitted assets are less than two hundred million dollars ($200,000,000) but at least one hundred million dollars ($100,000,000).

(e) For the purpose of Section 1241 and this section, ‘‘admitted assets’’ has the same meaning as in paragraph (3) of subdivision (f) of Section 1196.1.

(f) The statement value of the foreign investments, held by an insurer pursuant to this section, that are denominated in foreign currencies not hedged pursuant to arrangements complying with the requirements of paragraph (4) of subdivision (b) of Section 1194.6, shall not exceed one-third of each respective amount authorized by this section.

(g) Nothing in this section shall restrict or limit investments otherwise authorized by this code, including but not limited to the investments authorized by Sections 1173, 1192.4, and 1194.6.

(h) Investments made pursuant to this section shall be classified as excess funds investments and shall be subject to the provisions of Article 4 (commencing with Section 1190) including, but not limited to, Sections 1195, 1196, 1196.1, 1198, 1200, 1201, and 1202.

(i) The limits imposed by subdivisions (a), (b), and (c) do not apply to a property and casualty insurer that has admitted assets in excess of five hundred million dollars ($500,000,000) and foreign investments that do not exceed 4 percent of its total admitted assets.

SEC. 2. Section 1725.5 of the Insurance Code is amended to read:

1725.5. (a) For purposes of Sections 32.5, 1625, 1626, 1724.5, 1758.1, 1765, 1800, 14020, 14021, and 15006, every licensee shall prominently affix, type, or cause to be printed on business cards, written price quotations for insurance products, and print advertisements distributed exclusively in this state for insurance products its license number in type the same size as any indicated telephone number, address, or fax number. If the licensee maintains more than one organization license, one of the organization license numbers is sufficient for compliance with this section.

(b) In the case of transactors, or agent and broker licensees, who are classified for licensing purposes as a solicitor, working as an exclusive employee of a motor club, organizational licensee numbers shall be used.

(c) Any person in violation of this section shall be subject to a fine levied by the commissioner in the amount of two hundred dollars ($200) for the first offense, five hundred dollars ($500) for the second offense, and one thousand dollars ($1,000) for the third and subsequent offenses. The penalty shall not exceed one thousand dollars ($1,000) for any one offense. These fines shall be deposited into the Insurance Fund.

(d) A separate penalty shall not be imposed upon each piece of printed material that fails to conform to the requirements of this section.

(e) If the commissioner finds that the failure of a licensee to comply with the provisions of subdivision (a) is due to reasonable cause or circumstance beyond the licensee's control, and occurred notwithstanding the exercise of ordinary care and in the absence of willful neglect, the licensee may be relieved of the penalty in subdivision (c).

(f) A licensee seeking to be relieved of the penalty in subdivision (c) shall file with the department a statement with supporting documents setting forth the facts upon which the licensee bases its claims for relief.

(g) This section does not apply to any person or entity that is not currently required to be licensed by the department or that is exempted from licensure.

(h) This section does not apply to general advertisements of motor clubs that merely list insurance products as one of several services offered by the motor club, and do not provide any details of the insurance products.

(i) This section does not apply to life insurance policy illustrations required by Chapter 5.5 (commencing with Section 10509.950) of Part 2 of Division 2 or to life insurance cost indexes required by Chapter 5.6 (commencing with Section 10509.970) of Part 2 of Division 2.

(j) This section shall become operative January 1, 1997.

Approved ______________________________, 1997

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Governor